

***United States Court of Appeals  
for the Second Circuit***



**APPELLANT'S  
BRIEF**



ORIGINAL

75-7629

**United States Court of Appeals  
For the Second Circuit**

TUBECO, INC.,

*Plaintiff-Appellant,*

v.

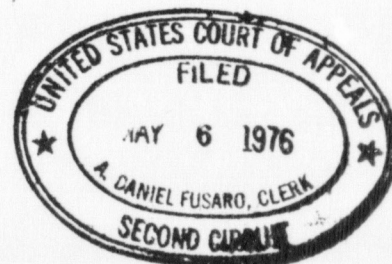
CRIPPEN PIPE FABRICATION CORPORATION  
and HENRY O. CRIPPEN,  
*Defendants-Appellees.*

*On Appeal From The United States District  
Court For The Eastern District Of New York*

**Appellant's Brief**

HOPGOOD, CALIMAFDE, KALIL,  
BLAUSTEIN & LIEBERMAN  
*Attorneys for Plaintiff-Appellant*  
60 East 42nd Street  
New York, N.Y. 10017  
(212) 986-2480

DICK BAILEY PRINTERS, 290 Richmond Ave., Staten Island, N.Y. 10302  
Telephone: (212) 447-5358



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### STATEMENT OF THE ISSUES

1. Where an employee in charge of a method for the bending of pipe, upon leaving his employment files for and obtains a patent on his employer's method, and thereafter approaches that employer offering a license and expecting to be paid for use of the method -- are such facts sufficient to give rise to a justiciable controversy under the declaratory judgment statutes?

2. Where a declaratory plaintiff pleads patent invalidity by detailing extensive prior use of the claimed invention long prior to defendant's filing for a patent thereon and submits substantial evidence thereof, including supporting affidavits and pictures, may the District Court rely upon an impliedly abandoned alternative pleading, alleging non-infringement, to render hypothetical and nonjusticiable the controversy in suit?

3. Is the justiciable nature of a controversy established at the time of suit, or may a declaratory-judgment defendant, subsequent to being sued, for the first time disclaim infringement and thereby negate jurisdiction?



### STATEMENT OF THE CASE

#### The Nature Of The Case And The Proceedings Below

In February, 1973, plaintiff-appellant (hereinafter Tubeco or declaratory plaintiff) brought an action for declaratory judgment of patent invalidity, non-infringement, unfair competition and violations of the Lanham Act. Jurisdiction was predicated upon 28 U.S.C. 2201 (declaratory-judgment statute), 28 U.S.C. 1331(a) (federal question statute), 28 U.S.C. 1338(a) (pendant jurisdiction statute), and 28 U.S.C. 1225(a) (Lanham Act).

Defendants denied the material allegations of the Complaint and in May, 1973, filed a motion to dismiss Cause I (patent) for lack of jurisdiction and Cause II (Lanham Act) for failure to state a claim upon which relief could be granted. After extensive discovery by both sides of the issue of jurisdiction, a hearing on the motion was held in October 1974; in October 1975 the Honorable Edward R. Neaher filed a Memorandum and Order dismissing the Complaint for lack of subject-matter jurisdiction and for failure to state a claim under the Lanham Act (Memorandum and Order dated October 21, 1975; App. pp. 228, et seq.). This appeal was timely filed on November 12, 1975 (Notice of Appeal; App. p.255).

## STATEMENT OF FACTS

### Background Of Declaratory Plaintiff, Tubeco

For over 25 years prior to the acts complained of, declaratory plaintiff Tubeco and its predecessor Carl Pipe have been in the pipe-fabrication business, embracing the precision bending and the precision joining of large diameter steel pipe for industrial users; users such as chemical and power companies and refineries.

The precision bending of large pipe, softened by pre-heating, is known as hot-pipe bending, an art form offered by relatively few companies in the United States (Wesler Aff., July 1973, ¶4; App. p.45).

### The History Of Defendant Crippen's Employment

In 1954, Henry O. Crippen was hired by Tubeco's predecessor and was placed in charge of all hot-pipe bending operations. He remained in Tubeco's employ for twelve years (until January, 1966), gaining intimate knowledge of the equipment and processes practiced by Tubeco in its hot-pipe bending and fabrication operations (Crippen Aff., May 8, 1973, ¶17; App. p.29).

Prior to leaving Tubeco, Crippen admittedly made detailed studies of the Tubeco methods and processes, taking over fifty unauthorized photographs (Crippen Dep. 353-368, 373-375; App. pp.160-178). Unbeknown to Tubeco, he also obtained from Tubeco's drafting department copies of drawing depicting



hot-pipe bends made for particular Tubeco customers (Crippen Dep. 236-45; App. pp.120-129). These drawings were later to be used by Crippen in the formation and financing of his company (PDX 4; App. pp.258, et seq.).

After leaving Tubeco in 1966, Crippen secretly maintained a week-to-week contact with Tubeco employees, updating himself constantly on Tubeco developments. At least one of these employees continued to provide a source of pictures to Crippen (Crippen Dep. 382-384; App. pp.179-181).

In March, 1967, Crippen filed an application for the patent in suit, improperly claiming the processes which he had observed for years at Tubeco as his own invention.

#### Plaintiff-Defendant Dealings Following The Filing Of The Patent In Suit

During the pendency of the patent application, Crippen approached Tubeco, suggesting generally, and without providing any details, that he had made an invention relevant to pipe bending, and inquiring as to Tubeco's interest. Tubeco showed no interest in learning the details of the alleged Crippen invention. At this point in time, Tubeco had no knowledge that Crippen was attempting to patent the Tubeco processes in his own name (Wesler Aff. July 1973, ¶9; App. p.47).

Sometime later, Crippen obtained the patent and again approached Tubeco. Although he did not bring a copy of the patent with him, Crippen explained the patented subject matter with reference to drawings which he had brought, patent drawings,

indicating to the Tubeco representatives that he had indeed patented the process which had been in use for many years at Tubeco (July 1973 Affs. of Wesler, Katz, Green and Webber; App. pp. 44-49, 56-62, 51-53, and 54-55).

The purpose of the meeting was to obtain money for use of the patent subject matter (Crippen Dep. 161-163; App. pp. 115-117; Wesler Aff. July 1973; App. pp. 44-49).

In fact, Mr. Wesler, President of Tubeco, deeply concerned by the implied threat, said to Crippen, "You are trying to sell us our own process", and abruptly left the meeting (July 1973 Affs. of Wesler, Katz, Green and Webber; App. pp. 44-49, 56-62, 51-53, and 54-55).

Subsequently, Tubeco obtained a copy of the patent, examined it and concluded that the patent claims indeed covered processes that Tubeco had used for many years, and indeed embraced that which Crippen himself had observed while at Tubeco. Under those circumstances, Tubeco viewed Crippen's request for payment as a tacit demand for blackmail, as there was no doubt that the patent covered the past and current processes at Tubeco (July 1973 Affs. of Wesler and Katz; App. pp. 44-49 and 56-62).

On June 3, 1971, Tubeco wrote Crippen stating that it considered the patent invalid as Crippen obviously was not the inventor and that Tubeco would continue to use all of the processes which it has been using for many years. The letter called for no response from Crippen and none was forthcoming (PDX 18; App. p. 357).



Although at this time Tubeco could have brought suit for declaratory judgment of patent invalidity, it chose not to. It believed its rejection of Crippen's proposition concluded the matter with finality (Wesler, Dep. 367; App. p.201). The matter, however, was not concluded as Crippen now pursued an alternative course.

Tubeco's Apprehension Grew With  
Crippen's Broad Patent Use

Relying heavily upon his patent, and on the basis of his prior experience, Crippen formed the defendant corporation and raised over one million dollars from banks seeking to fund minority capital ventures. The corporation, now well funded, began to promote the "Crippen" patent, and the proposed facility for incorporating it (PDX 4 through 9; App. pp.258-354). Most importantly, the entire industry serviced by Tubeco was advised of the Crippen patent (Crippen Dep. 17-19, 28-38, 201, 250, 308-9, 328-9; App. pp.87-102, 119, 130, 138-9, 151-2. Also, Exhibits PDX 4 through 9, App. pp. 258-354; PDX 28, App. p.358; PDX 29, App. p.376; PDX 30, App. p.455).

Personal presentations were made and accompanied by the showing of slides which, unbeknownst to the viewers, were photographs of Tubeco equipment taken without Tubeco's knowledge or permission (Crippen Dep. 328, 332, 336, 349, 354-6, 362, 365, 373-5; App. pp.151, 153, 157, 158, 161-3, 169, 172, 176-8).

Crippen's widely disseminated "confidential reports" (PDX 5; App. pp.271-350, especially p.275) stated that all of the components and concepts embodied in the patented process had been tested and performed on full size equipment; left unsaid was that the Crippen-patented process had been tested and performed on Tubeco's equipment (Crippen Dep. 303-305; App. pp.135-137).

Crippen sought and obtained several interviews with trade papers, resulting in widely disseminated articles, all of which highlighted "his" patent as representing a significant improvement over any equipment or method currently in use in industry (PDX 2 and 10; App. p.256 and p.355).

Numerous Tubeco customers were visited and shown a copy of the "Crippen" patent, as well as samples of bends capable of being produced by the "new invention" (Stipulation and Order executed January 7, 1974; App. pp.83-84). Those bends samples were taken from Tubeco drawings xeroxed on Crippen letterhead (Crippen Dep. 241; App. p.125).

The effect of these activities slowly began to filter back to Tubeco\*. Tubeco became increasingly apprehensive of Crippen's use of his ill-gotten patent to "persuade" Tubeco's customers to purchase equipment from his company. The implied alternative was suit for infringement.

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\* Crippen's representations to the trade became more and more exaggerated and many were admittedly false.

1. The American Metal Market article (PDX 10; App. p.355), dated on or about February 15, 1973, credited Crippen with setting up a shop for a New York firm and



(footnote to page 7, supra, continued).

building it to 200 employees; Mr. Crippen now claims not to have made that statement (Crippen Dep. 52; App. p.103).

The same article recites the fact that Crippen is already filling orders for two companies and has commitments from a number of others named in the article; but the Crippen facilities had not yet been built, thus no orders had been filled; and the commitments were not really commitments but mere letters of intent of what these companies might do, once the facility was set up (Crippen Dep. 14, 15, 54-55; App. pp.85, 86, 104-5).

The article's photograph of Mr. Crippen bears the caption: "Henry O. Crippen: Sees company's competitive position hinging on recently patented pipe bending and fabrication process he developed."

2. Mr. Crippen claims to have been incorrectly quoted, but an article in an ICBO periodical (PDX 2, App. p.256), which enjoys nationwide distribution, recites commitments to the same companies, this time as "firm sales commitments"; this statement was also incorrect (Crippen Dep. 14-15, 54; App. pp.85-86, 104).

3. The Crippen brochure (PDX 5, App. pp.271-350) includes bend examples and specifications taken from Tubeco and xeroxed on Crippen letterhead (Crippen Dep. 241; App. p.125).

4. A Crippen brochure (PDX 5, App. pp.271-350) credits Tubeco's present plant as having been "designed by Mr. Crippen" (PDX 5, p.1; App. p.274), and recites knowledgeable experts in the industry as having stated "that the Tubeco equipment designed by Mr. Crippen was the best in the industry" (PDX 5, p.2; App. p.275); Mr. Crippen now can recall no one who referred to the Tubeco equipment as designed by him (Crippen Dep. 301-303; App. pp.133-135) and claims never to have told anyone that he was the designer or inventor (Crippen Dep. 297-298; App. pp. 131-132).

The report further states that all of the components or concepts embodied in the (patented) apparatus "had been tested and proven on full size equipment" (PDX 5, p.2; App. p.275); such a statement is now deemed a "misconception", in that Mr. Crippen never had the components built full size, and the only place where they were proven to his knowledge was at Tubeco (Crippen Dep. 304-305; App. pp.136-137).

In short, Crippen sales commitments were not commitments; there were no knowledgeable experts praising the Crippen process; detailed drawings in the brochure showing pipe bends were Tubeco's, not Crippen's; the slides accompanying the sales presentations were Tubeco's, not Crippen's; and the patented process was Tubeco's, not Crippen's.



In a letter dated January 17, 1973 (App. p.12) annexed to the Complaint, App. pp.4-11, Tubeco advised Crippen:

(a) It considered the display of the patent by Crippen to prospective customers wrongful;

(b) It was mindful of the fact that innuendos have been left with customers that Tubeco was an infringer of the patent;

(c) The patent fraudulently covered a process which had been in use at Tubeco even prior to Crippen's employment.

Tubeco's letter sought a disclaimer of the patent forthwith, and a response within two weeks. When no response was forthcoming after an additional two-week waiting period, this action was instituted.

#### Comparison Between The Crippen Patent And Tubeco's Procedures

The broadest claim in the Crippen patent is claim 11, which provides as follows (U.S. Patent No. 3,456,468, App. pp.323-332):

"11. The method of bending large pipes of at least 6" diameter which comprises:

heating the pipe to the bending temperature,

anchoring one end of the pipe and

bending the pipe in a horizontal plane the desired number of degrees

around the curvature faces of a continuous arced forming die which at the bending point extends approximately 180° around the pipe circumference and

the radius of the arc is equal to the radius of the bend to be made and is spaced from the bending floor."

Every single word, element, phrase and line in this claim was part of Tubeco's regular commercial practices for the preceding ten years (Crippen Dep. 309-316, App. pp.139-146; Katz Aff. July 1973, ¶¶7 to 12, App. pp.59-62; referencing a photograph of Tubeco's apparatus, PDX 12, 12A, App. p. 56; Crippen Dep. 93, 125; App. pp.110, 111; Hopgood Aff. ¶3 and ¶4, App. pp.66-67).

The Decision Below Was Predicated  
Upon Inaccurate Premises

The Court below analyzed the foregoing facts but reasoned that Tubeco had made certain concessions and abandoned certain postures during its conduct of the litigation, foreclosing subject-matter jurisdiction to the Federal Court. In particular, the Court found:

(a) That Tubeco had abandoned its allegation that it was threatened either expressly or by implication;

(b) That Tubeco conceded that it did not infringe Crippen's patent; and

(c) That Tubeco conceded that apprehension of infringement suits against customers provided no basis for the bringing of this declaratory judgment action.

In the argument which follows, we shall show that the foregoing premises relied upon by the Court were incorrect, and that the Court totally misconstrued the pleadings in this case.

### ARGUMENT

#### Tubeco Made No Concession Of Non-Infringement Of The Crippen Patent

The Court below states:

"Tubeco alleges that neither it nor its customers infringe the Crippen patent and Crippen agrees that Tubeco's present processing methods and equipment do not infringe the patent. The asserted patent controversy is wholly hypothetical and speculative and not justiciable." (Memorandum and Order dated October 21, 1975, pp.17-18; App. pp.228-254).

It is only in the Complaint that Tubeco alleged non-infringement. This allegation of non-infringement may be found in most every declaratory judgment patent complaint and is included to give the plaintiff sufficient pleading breadth to prove non-infringement if the facts so indicate\*. Moreover, the Complaint also alleges patent invalidity and it is axiomatic that an invalid patent cannot be infringed irrespective of the identity of the patented and accused devices.

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\* FRCP Rule 8(3)(2) provides:

"A party may set forth two or more statements of a claim or defense alternatively or hypothetically, either in one count or defense or in separate counts or defenses. When two or more statements are made in the alternative and one of them if made independently would be sufficient, the pleading is not made insufficient by the insufficiency of one or more of the alternative statements. A party may also state as many separate claims or defenses as he has regardless of consistency and whether based on legal, equitable, or maritime grounds..."



Paragraph 5 of the Complaint (App. pp.6-7) paraphrases claims 11 and 12 of the Crippen patent (in parsed form) identifying each element as part of an established Tubeco process (Complaint, App. pp.4-11). Indeed, throughout the course of this litigation, in every memorandum filed, in every affidavit submitted, and in every word spoken, it is asserted that Tubeco's process comes within the scope of the Crippen patent.

Thus, the initial premise by the Court that Tubeco alleges non-infringement is literally correct, but only because Tubeco does not believe the patent is valid; that is a far cry, however, from alleging the absence of a justiciable controversy. The controversy is real and extant, and will persist so long as Crippen has a patent which dominates the process used by Tubeco.

Throughout The Course Of This Litigation,  
Tubeco Had Adamantly Maintained That Both  
It And Its Customers Were Impliedly  
Threatened

The Court below states:

"Tubeco has abandoned its original allegations that Crippen directly or indirectly, expressly or impliedly ... threatened Tubeco..." (Memorandum and Order dated October 21, 1975, p. 9; App. p.236).

In support, the Court relies inter alia upon a stipulation entered into between the parties, but the Court apparently failed to consider the last line of that stipulation.

From the outset of this suit, plaintiff has consistently postulated that when an employee (of plaintiff) with intimate knowledge of his employer's processes obtains a patent on such

processes and then seeks payment for their use, plaintiff has been subjected to a threat by innuendo so real that no express words are necessary\*.

In order to avoid inconvenience to its customers, plaintiff stipulated that it would:

"...not rely on any... alleged conversation between plaintiff and its customers as evidence of plaintiff's apprehension." (Stipulation and Order executed on January 7, 1974, App. pp.83-84).

Believing that "justiciability" existed in abundance, plaintiff, for purposes of this motion, chose to rely on its own independent apprehensions and on the inferences that would flow from the fact of Crippen having shown his patent to Tubeco's customers.

Thus, at plaintiff's insistence, a final clause was included in the Stipulation, reading as follows:

"...; provided, however, that nothing herein shall be deemed to controvert the fact that defendants did visit or call upon numerous potential customers, some of whom were known by defendants to be customers of Tubeco, advising them of the Crippen patent and the formation of defendant Crippen Pipe Corporation, and seeking orders for business." (Stipulation and Order executed by counsel on January 7, 1974; App. pp.83-84).

The Test Of Declaratory Judgment Jurisdiction  
In Patents, Like Any Other Federal Question,  
Requires Only Concrete Controversy Between  
Parties Of Adverse Legal Interests

As stated by the Supreme Court:

"... Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy

\* See Plaintiff's Memorandum In Opposition to Defendants' Motion To Dismiss dated Sept. 19, 1973, p. 11, App. p.43.



and reality to warrant the issuance of a declaratory judgment." Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270, 273 (1941).

Adopting the Supreme Court's approach, this Circuit has universally rejected the requirement that the declaratory plaintiff in a patent suit be charged, accused or threatened. The import of what is said or done is judgment in light of the parties' relationships. The distinction between concrete controversies which are justiciable and abstract or academic ones which are not, is one of degree, requiring the facts to be explored on a case-by-case basis. Muller v. Olin Mathieson Chemical Corp., 404 F.2d 501, 504 (2 Cir. 1968); Wembley, Inc. v. Superba Cravats, Inc., 315 F.2d 87, 89 (2 Cir. 1963); Wallace & Tiernan Inc. v. General Electric Company, 291 F.Supp.217 (S.D. N.Y. 1968); Japan Gas Lighter Assoc v. Ronson Corp., 257 F.Supp.219 (D. N.J. 1966).

In a most extensive case law analysis of this Circuit's requirements for "justiciability", Judge Bauman, in Blessings Corporation v. Gustave Altman, 373 F.Supp.802, 806 (S.D. N.Y. 1974) concludes that:

"Any lingering possibility of an infringement charge is sufficient to support the finding of an actual controversy..."

There can, we submit, be no doubt of the existence of a lingering possibility of an infringement charge here.

Professor Moore in his treatise, Moore's Federal Practice, Volume 6A, §57.20, expresses the philosophy of justiciability which precisely encompasses the situation here:

"... where the patent by its terms includes the activities of the plaintiff, it can hardly be said that there are no adverse parties with adverse legal interests. If plaintiff asserts the invalidity of the patent, a 'controversy' exists between the parties. Patentee's act in taking out the patent has crystallized his position. His interest is clear and direct, and it is completely opposed to that of the plaintiff. Similarly, where the patent by its terms raises a reasonable doubt as to whether or not plaintiff's activities constitute an infringement, then there is a 'controversy'. There is hence no constitutional objection to the maintenance of the action. To deny that a 'case of controversy' is present is to ignore the realities of business life [citing this Circuit]."

When first approached with the patent, plaintiff had no reason to be apprehensive; insofar as it knew, Crippen had been substantially rebuffed, and plaintiff's customers remained uninvolved and uninformed.

Within two years, however, the picture changed drastically. Crippen was now totally reliant upon the patent, both in his financing and approach to the industry, and in particular to Tubeco's customers.

As was stated in Lances v. Letz, 115 F.2d 916 (2 Cir. 1940) at p. 917:

"But there certainly was nothing in the situation, so far as the plaintiffs knew or were informed, to make unreasonable a conclusion on their part that [the patentee] was lying in ambush to use [its] claim of patent infringement when it would be most damaging."

If "reasonable apprehension" indeed be this Circuit's touchstone (as opined by the Court below citing Japan Gas Lighter Assoc. v. Ronson Corp., supra.) then, we submit, plaintiff had more than sufficient grounds to be reasonably apprehensive.

Before bringing suit, however, plaintiff chose to make its allegations known directly to Crippen to permit a disclaimer. On January 17, 1973, it wrote such a letter seeking a response (App. p.12), copy annexed to the Complaint. Defendant chose to ignore the letter (Crippen, Dep. p.60; App. p.106). After a further period of time permitting a response, this suit was commenced.

Defendants' Post-Suit Disclaimer of Infringement  
Is Ineffective To Negate Jurisdiction

Only after commencement of suit did Crippen for the first time suggest, allege, and then finally assert Tubeco's non-infringement of the patent. But Tubeco does indeed infringe, and this attempt at concession is precisely what the Declaratory Judgment statutes seek to obviate and is a legally ineffective maneuver to avoid facing that which the conduct plainly invited.

As stated in E. J. Brooks Co. v. Stoffel Seals Corporation, 160 F.Supp.581, 593 (S.D. N.Y. 1958), rev. on other grounds, 266 F.2d 841:

"Defendant cannot create a situation of actual controversy which gives the Court jurisdiction under the Declaratory Judgments Act and then, after the commencement of suit, come into Court and seek to avoid the jurisdiction of the Court by belated concessions that there was no infringement [citing cases]."

Or as stated by Judge Kaufman in Rhodes Pharmacal Co., Inc. v. Dolcin Corporation, 91 F.Supp.87, 88-9 (S.D. N.Y. 1950):

"It is evident that there is a substantial controversy here. Defendant has by insinuations and innuendo threatened plaintiff and its customers

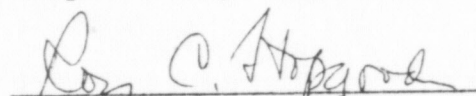


with patent infringement suits; thereby the plaintiff, it is alleged, has lost and continues to lose business. The defendant apparently believes that it can avoid a Court test of the validity of its patent, and the claim as to its scope made to the trade, by withholding formal claim of infringement. This is not the law. Even a person who is about to engage in conduct which a patentee has generally indicated would constitute an infringement may bring a declaratory judgment action before he is damaged."

CONCLUSION

The judgment of the District Court should be reversed, and the case remanded for a trial on the merits of the claims.

Respectfully submitted,



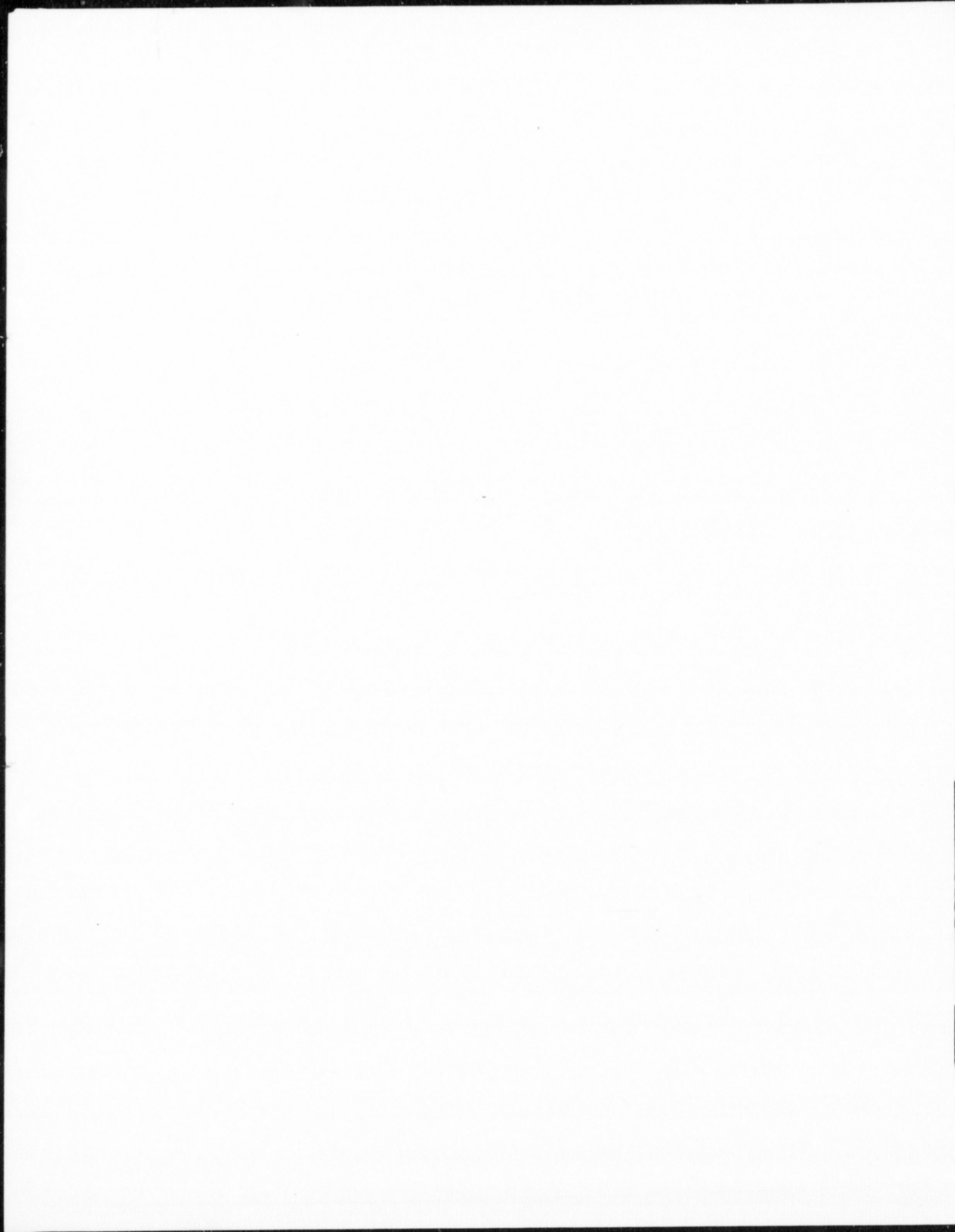
Roy C. Hopgood  
Hopgood, Calimafde, Kalil,  
Blaustein & Lieberman  
Attorneys for Appellant  
60 East 42nd Street  
New York, New York 10017  
212-986-2480



OF COUNSEL:

Arthur M. Lieberman  
Hopgood, Calimafde, Kalil,  
Blaustein & Lieberman

Dated: May 6 , 1976  
New York, New York





HOPGOOD 2202  
75-7629

STATE OF NEW YORK )  
: SS.  
COUNTY OF NEW YORK )

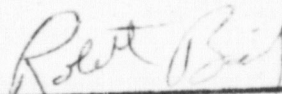
ROBERT BAILEY, being duly sworn, deposes and says, that deponent is not a party to the action, is over 18 years of age and resides at 286 Richmond Avenue, Staten Island, N.Y. 10302. That on the 6 day of May 1976 deponent served the within - Brief upon:

Morgan, Finnegan, Pine, Foley & Lee, Esqs.

attorney(s) for  
Appellee

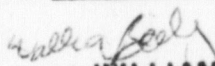
in this action, at  
345 Park Avenue, NYC

the address(es) designated by said attorney(s) for that purpose by depositing 3 true copies of same enclosed in a postpaid properly addressed wrapper, in an official depository under the exclusive care and custody of the United States post office department within the State of New York.



Robert Bailey

Sworn to before me, this 6  
day of May, 1976.



WILLIAM BAILEY  
Notary Public, State of New York  
No. 43-0132945  
Qualified in Richmond County  
Commission Expires March 30, 1977